

Minutes Of The Board Of Trustees
City Of Cincinnati
Retirement System
November 4, 2004

The Secretary called the meeting to order at 1:30 p.m. with the following members present:

William Moller, Secretary
Valerie Lemmie, City Manager
Charlie Luken, Mayor
Joe Harrison
Brian Pickering
Marijane Klug
Michael Rachford
Ely Ryder
Elliott Ruther, proxy for John Cranley

Member/s Absent

V. Daniel Radford, Chairman
John Bowling

Mr. Moller called for a motion to approve the minutes of the October 7, 2004 Board Meeting. The motion was made by Mayor Luken, seconded by Mr. Pickering, and carried by the Board. The minutes were approved as prepared by the Secretary.

BENEFITS COMMITTEE

Mr. Harrison reported that the Benefits Committee met on October 28, 2004 at 2:00 p.m.

1. Application for Ordinary Retirement October 9, 2004: Total – 11

NO.	NAME	DEPARTMENT
37463	Ronald Hart	MSD
40381	Donald Gilbert	MSD
41737	Elaine Whatley	Water Works
41742	Anthony Tolbert	Water Works
41751	Dennis Poland	Water Works
41768	Clayton Mack	MSD
41772	Daryl Harris	MSD
41832	Harry Hall	MSD
41880	Peter Eduardo	MSD
41460	James Balzer	University of Cincinnati
41873	Carleton Maddox	Community Development

2. Application for Retired Members Deaths: Total – 10

3. Application for Deferred Retirement: Total – 3

NO.	NAME	DEPARTMENT
47986	Carl Sandlin	Parks
49397	Charles Phillips	Public Services
52796	Junnie Conrad	Health

Mr. Harrison moved that the Board accept the report of the Benefits Committee. The motion was seconded by Mr. Rachford and carried by the Board.

INVESTMENT COMMITTEE

Mr. Moller reported that there were not enough Investment Committee members present at the October 8, 2004 meeting to have a quorum. However, the members who were present did discuss an ordinance introduced to City Council by Councilmember Malone that encourages the City to consider qualified Cincinnati investment managers in its selection process. Councilmember Malone would like to have support from the Retirement Board for this ordinance. Mr. Moller commented that the members who were present at the October meeting were generally comfortable with the ordinance. (The ordinance is attached). After discussion, Ms. Lemmie made a motion that the Retirement Board support the ordinance changes proposed by Councilmember Malone. Mr. Ryder seconded the motion, and the motion passed unanimously.

SECRETARY'S REPORT

Mr. Moller reported that as of September 30, 2004 the total assets of the fund were \$2.27 billion, which is about 1% less than the total assets in the fund at the beginning of the year.

Mr. Moller commented that one year ago, the total assets of the fund were \$2.14 billion. Mr. Moller also reported that the actual asset allocation for each asset class is within the target asset allocation bands.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 39
2. Resolution for Return of Contributions & Death Benefits– Total: 79
Amount: \$143,793.98
3. Resolution for Loans to Members – Total: 51 Amount: \$556,729.27
4. Report on Deaths of Pensioned Members – Total: 15

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
Business Information Solutions Inc. – Storage of CRS files	\$55.44
City of Cincinnati Division of Stores – Billing for items for September 2004	\$241.40
City of Cincinnati Printing Services – Billing for items for September 2004	\$6,649.01
Mae Consulting Inc. – Professional Services Rendered	\$80.00
Paul T. Hogya, M.D. – Disability Applicants fees	\$75.00
Pieczonka Inc. – Award Plaque for Ed Volpe	\$89.00
Joyce Koch – Reimbursement for overpayment on prior service buy-back	\$241.57
ABS Business Products Inc. – Monthly rental base rate for copier	\$238.50
All Star Personnel Inc. – Temporary Personnel Services	\$656.76
Joe Harrison, Sr. – Reimbursement for Conference Expenses	\$754.20
Mae Consulting Inc. – Professional Services Rendered	\$500.00
City of Cincinnati – Communications Technology Services for telephone services for Sept. 2004	\$257.00
Smith Barney – Professional Services Rendered for consulting fees	\$130,000.00
City of Cincinnati – Accounts & Audits – Health Ins/Dental & Vision/Medicare and Life Insurance	\$12,940.75
Hyatt Regency New Orleans – Conference expenses for Joe Harrison	\$1,299.42
The Bank of New York – Custodial fees	\$25,348.61
Business Information Solutions Inc. – Storage of CRS files	\$55.44
All Star Personnel Inc. – Temporary Personnel Services	\$231.20
City of Cincinnati Printing Services – Charges for Postage	\$1,880.90

The Secretary reported that at the close of business October 31, 2004, there was in the Treasury to the credit of the Retirement System the amount of \$4,146,182.75.

Asset Valuation:

- December 31, 2003: \$2.29 billion
- September 30, 2004: \$2.27 billion
- YTD Increase (Decrease): (0.9)%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 51.4% (50%)
- International: 13.6% (13.5%)
- Fixed Income: 34.3% (33.5%)
- Alternative Assets/Treasury Cash: 0.7% (3%)

PENDING BUSINESSAsset/Liability Study – Plan Design Changes

Mr. Moller reintroduced his comprehensive proposal on plan design changes that the Board should consider in order to improve the financial health of the Retirement System. Mr. Moller first introduced this motion at the October 7, 2004 meeting, and at that time Board members were invited to comment on this plan as well as prepare alternative recommendations.

Mr. Ryder indicated that he is working on some alternative considerations, and that he received some data from the retirement system actuary that did not match his information request. Mr. Ryder asked the Board to hold the proposal one more month in order for him to continue to work on alternative proposals. Mr. Moller indicated that Mr. Radford asked the motion be held one more month since he was unable to attend this meeting. The Board agreed to hold the motion one more month.

Mr. Moller did comment that given the financial conditions of CRS, the Board must take some action on this issue, or there may be actions taken that will be more severe than those outline in the current proposal. Mr. Moller advised that the budget submitted to City Council by Mayor Luken stipulates an 11% employer contribution to the Retirement System. Mayor Luken commented that it is his opinion that the suggestions which Mr. Moller has made is the best way to deal with the financial problems faced by the City as well as the Retirement System, and he is prepared to take the proposal to City Council if the Board fails to make a recommendation.

Mr. Rachford commented that retirement system is still well funded, and there is no requirement that the Board maintain a 100% funding level. Mr. Rachford said he would not support additional costs being passed on to retirees in order to address the financial problems of the City. Mayor Luken responded that funding the retirement system at less than 100% would amount to deficit spending, and that he did not want to reverse the work done by previous Retirement Boards and Finance Directors in establishing and maintaining an excellent retirement system. Mayor Luken also commented that there are very few retirement plans with a benefits package as good as the City's, and that the City has treated their retirees very well over the years. Mr. Ryder agreed that the City's support to the Retirement System has been outstanding over the years, and he is looking for ways that the City and retirees can share in the increasing costs of healthcare.

Mr. Moller commented that in his opinion, the Board is not living up to its fiduciary responsibility if it funds the pension obligations below 100%. He also stated that the City has already increased their contribution from 7% to 11%, and there is no room in the current City budget for additional employer contributions.

Mr. Moller then invited comments from the audience, and City retiree Mr. Bill Reeves stated that the Board should not reduce the pension or healthcare benefits that were promised to him at the time of his retirement should be irrevocable, just as his choice of retirement options is irrevocable. Mr. Mike McKinney commented that it is not fair that retirees, who have less income than current employees, are being asked to absorb the same additional healthcare costs as the active employees. Mr. Peter Hanashin, a disability retiree, commented that the extra healthcare costs imposed on retirees under the 80/20 plan would be exorbitant due to the number of medications that some of the retirees have to take on a daily basis.

Mr. Rachford reminded the Board that the City's contribution was reduced over the years from in excess of 18% to 7%. The additional benefits that were awarded to retirement system members were designed to be equivalent to the money saved by the taxpayers. Mr. Harrison commented that the Board asked City Council not to reduce the employer contribution at the time the system was well over funded. Mr. Harrison also stated that he would like to minimize additional costs to retirees by stretching them out over a five or ten year period.

Mr. Moller reminded the Board that this is a zero sum situation, and that any reductions in cost savings would need to be balanced by additional cost savings or contributions elsewhere. Mr. Ryder suggested that he does not think the proposed change in the actuarial rate of return assumption from 8.75% to 8.25% is necessary. Although that return may be difficult to achieve in the short-term, we are focusing on the long-term investment returns. Mr. Ryder commented that over the past 20 or so years, the fund has earned returns of about 11%.

Mr. Fink commented that the valuation and cost information presented by Mercer is not a worst-case scenario, and that the valuation calculations of the fund are based on a long-term return assumption of 8.25%. If investment gains return to more normal levels than have been achieved over the past 10 or so years, the funding level of the fund will fall below 100% even with implementation of the changes outlined in Mr. Moller's motion.

NEW BUSINESS

The Board thanked Mr. Ed Volpe for his two years of dedicated service to the Board as the representative of retired members. Mr. Volpe was awarded a commemorative plaque from the Board that recognized his contributions to the Cincinnati Retirement System.

ADJOURNMENT

The meeting was adjourned at 2:30 p.m.